

National
Housewares
Manufacturers
Association

Marketing Research Study Of The Housewares Industry

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April, 1987

TO THE MEMBERS OF THE HOUSEWARES INDUSTRY:

For the past twenty years, we have conducted for the National Housewares Manufacturers Association an annual survey of exhibitors in the International Housewares Expositions.

The primary purpose of these surveys has been to monitor and track industry sales and marketing trends through time. Specifically, the surveys provide the following information:

- manufacturers' dollar sales;
- percent of dollar sales by product category;
- classification of manufacturers by product category and size;
- sales projections for the next year;
- retail and wholesale trends;
- pricing trends; and,
- other related issues.

It is with special pleasure that we present the twentieth annual survey results to the membership. In addition, we have incorporated a review of the industry's performance over the past two decades with some pertinent observations about the changing housewares' consumer.

Due to the number, diversity and geographic dispersion of housewares manufacturers, a self-administered mail questionnaire was found to be the most effective means of collecting the desired information. The anonymity of the responses has been assured by having the completed questionnaires returned to the certified public accounting firm of Berk & Michaels, P.C. of New York.

For the current study, questionnaires were sent to 1,737 of the exhibitors in the November 1986 NHMA International Housewares Exposition. The findings summarized in this report are based on the responses of 510 (29%) of these exhibitors. Although they are not based on a census of all exhibitors, we believe the results to be statistically projectable and comparable on a year-to-year basis.

We hope you find this information useful and reflective of the changes in the industry.

Joseph S. Adler
President

HIGHLIGHTS OF THE FINDINGS

1986 AND LOOKING TO THE FUTURE

The following findings from the 20th annual survey are those results of greatest interest to the housewares industry.

- Although sales of housewares increased in 1986 to **\$23.6 billion**, up **1.9%** from 1985, they were still below the industry sales reported in **1984**. As the rate of inflation was **1.1%**, this represents a slight increase over the previous year's sales.

The impact of **imported products** continues to be felt by housewares manufacturers. There is no evidence this trend will change in the near future. Manufacturers are facing **increased competition**, as the number and types of housewares products continue to grow.

- The proportion of manufacturers whose dollar volume is **under \$1 million dollars** declined slightly, to **22%** of those surveyed. The proportion of those with sales **over \$5 million dollars** also decreased slightly, to **37% in 1986**, down from **40% in 1985**.

Among manufacturers of **kitchen tools & gadgets** and **outdoor products**, about **40%** reported sales volumes **under \$1 million**, as did one-third of the manufacturers of **bath & closet accessories** and **cleaning products**. In turn, more than half (**57%**) of the manufacturers of **electric housewares** reported sales volumes of **\$5 million and over**, as did **51%** of the **furniture** manufacturers.

- **Expectations for 1987 sales** were generally favorable, although the estimates were somewhat **more conservative** than in past years. This reflects a sense that the industry is maturing, and is becoming more dependent on demographic factors, such as household formations, which have slowed considerably.
- **Electric housewares** (**11%** of manufacturers) continued as a disproportionate amount of total 1986 dollar volume — **one-third of all sales**.

In comparison, **decorative accessories** (**15%** of manufacturers) and **serving & buffet products** (**13%** of manufacturers) represented **10%** and **7%** of dollar volume, respectively.

Cook & bakeware accounted for **8%** of manufacturers, but **11%** of dollar sales. **Cookware** sales outpaced **bakeware** sales by a seven to one ratio. **Furniture** accounted for **8%** of manufacturers, and for **10%** of dollar sales.

Cleaning products, **bath & closet accessories** and **kitchen tools & gadgets** continue to account for a smaller percentage of dollar sales than of manufacturers, reflecting generally smaller unit prices within these categories.

- The majority of manufacturers' sales was made **directly to retail outlets** in 1986.

Mass merchandisers handle the largest proportion of dollar sales, with just **over one-third** of the total **dollar sales** made to them in 1986. **Department stores** were next, accounting for **11%**. **Catalog showrooms'** percent of dollar sales fell to **7%** in 1986, putting them in a tie with **food stores**.

Mass merchandisers were especially important to manufacturers of **plasticware**, **outdoor products** and **furniture**. Department stores were more important to manufacturers of **serving & buffet products** and **electric housewares** than they were to other manufacturers.

Wholesalers overall share of dollar sales account for **one-fourth** of the **dollar sales** for **cook & bakeware**.

- **White** continues to be the **leading** housewares' **color** in each of the seven housewares categories. **Blue** was in second place for **bath accessories** and **serving & buffet products**. **Almond** was the second choice for **kitchen appliances**, while **pastels** were in second place for **closet accessories**. **Outdoor products** had **red** as the second place color.
- **One-third** of the **manufacturers** reported **price increases** in **1986**, higher than the **23%** which increased prices in **1985**. Price increases averaged **6.1%** in 1986. More than half (**58%**) of those surveyed expect price increases in **1987**.

The primary reason for expecting price increases in 1987 is the "**declining dollar**," cited by nearly half of these manufacturers.

HIGHLIGHTS OF THE PAST

LOOKING TO THE PAST

The following findings were selected from past surveys, to provide a sense of where the housewares industry has been.

- The first estimate of the dollar volume of housewares manufacturers' sales was just over **\$4.0 billion** reported in **1967**. The industry grew to **\$6.1 billion** in **1971**; to **\$11.0 billion** in **1976**; to **\$19.1 billion** in **1981**, and to **\$23.6 billion** in **1986**.
- In **1966**, the proportion of manufacturers with a dollar volume **under \$1 million** was **44%**; this declined to **one-third (35%)** by **1971**. Since **1976**, the proportion of small manufacturers has declined further, and now stands at **22%**. The presence of so many smaller manufacturers has helped the industry maintain much of its entrepreneurial nature.

At the same time, the proportion of larger manufacturers, those with sales of **\$5 million or more**, has been growing; from **14%** in **1966**; to **21%** in **1971**; to **28%** in **1976**, and to **38%** in **1981**. It has now stabilized at **37%** in **1986**, down slightly from **1985**.

- Since **1976**, manufacturers have been projecting that the percentage of manufacturers with sales **under \$1 million** will be in the **low twenties (20-22%)**. This did not actually occur until **1986**, but the prediction is a sign of the high level of optimism in this industry, especially in the **70s**, when double-digit sales increases were common. For the coming year, the predictions are for the proportion of small manufacturers to drop to **16% in 1987**, while those with sales **over \$2.5 million** are predicted to reach **61%** of the total.
- **Wholesale outlets** of all types have decreased in importance to the industry throughout the twenty years of this survey, while sales made **directly to retailers** approached **90%** of dollar volume in **1986**.

In the early days of the survey, the single most important outlet was **housewares/hardware distributors**, accounting for **17%** of **total dollar volume**. The leading retail outlets were **mass merchandisers** and **department stores**, accounting for **10%** of **dollars** each. By **1976**, **mass merchandisers** had the lead, with **20%** of **dollars**, compared with **9%** for **housewares/hardware distributors**, and **7%** for **department stores**. In **1986**, **mass merchandisers** had increased their share of dollar sales to **35%**, while **department stores** had recovered to **11%** of the total.

- Color fads have come and gone in the housewares industry. The most constant factor in colors has been that white has always been a contender in virtually every product category. Over the years, the industry has seen the rise and fall of such colors as **avocado**, **gold**, **harvest gold**, and **almond**.
- Price increases were a fact of life in the **70s** in the housewares industry as elsewhere. In **1973**, **96%** of the manufacturers said they **expected** to raise prices in **1974**, and **89%** actually had done so by the next survey. Price increases in **1974** averaged **14.9%**. By **1976**, only **65%** of the manufacturers had raised prices, at an average of just **6.8%**. Currently, **58%** expect to raise prices in **1987**, with the average increase expected to be **6.8%**. Reasons for price increases have shifted, from higher material, labor and overhead costs in the **70s**, to the declining dollar today.
- In **1976**, manufacturers were asked to **predict** the six issues of most importance to them for the next ten years.

The development of new products was cited by **45%** of the respondents as the industry's most important priority for the next ten years. The **second** most important issue was the **availability of raw materials**, cited as most important by **32%** of those surveyed. **Consumerism** was in third place, mentioned by **16%** as the most important issue. Other issues included the following:

- Government regulations
- Labor/management relations
- Environment-related concerns

In this year's survey, the development of new products appears to still be a major concern for manufacturers. It was mentioned prominently regarding how the industry will change in the future, and how respondents' own businesses will change in the next few years. Other changes predicted for the industry include the consolidation of both **retailers** and **manufacturers**, and **increased competition** from more **imported products**.

THE CHANGING HOUSEWARES CONSUMER

The consumer population has become considerably more diverse over the past twenty years. This diversity means that manufacturers have to target ever smaller segments of the population.

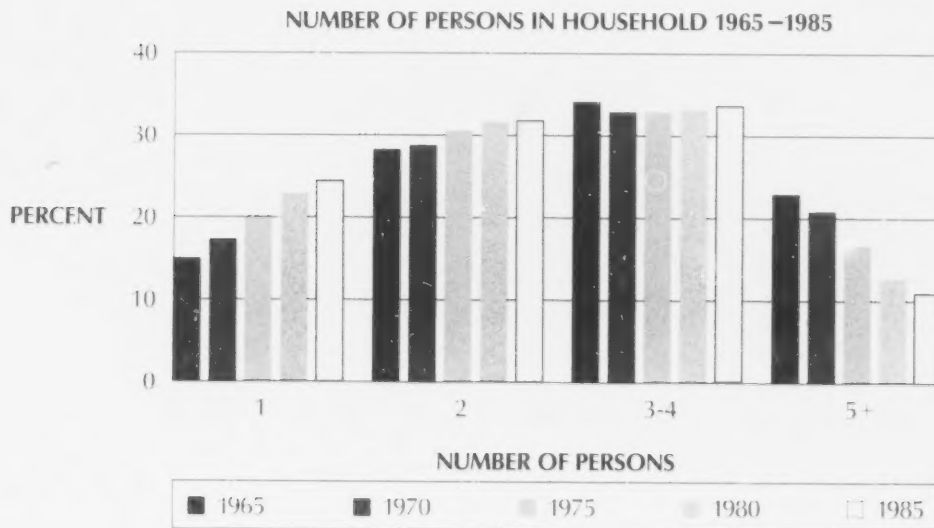
Several important demographic changes have had an impact specifically on the housewares industry. This analysis will discuss the most significant changes, and suggest how these changes may affect the housewares industry in the years to come.

HOUSEHOLD FORMATIONS

In 1965, there were 57.4 million households in the United States. By 1985, the number of households had grown to 86.8 million. This increase of more than thirty million households had been fueled by the "baby boom" generation coming of age and forming its own households. In addition, a number of other factors, such as the postponement of marriages and increased levels of education, have contributed to the next most significant demographic change: smaller household sizes.

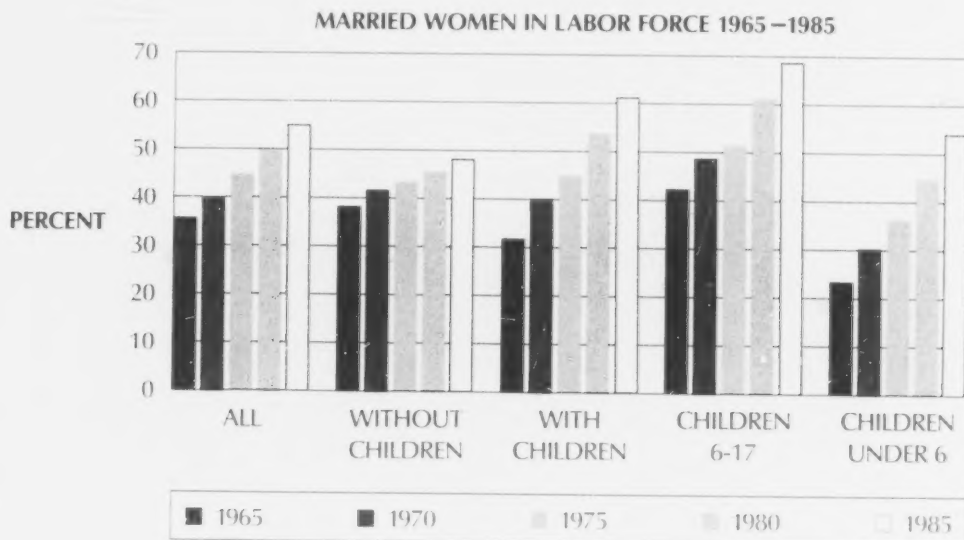
SMALLER HOUSEHOLD SIZES

One of the most dramatic changes in the United States in the past twenty years has been the increase in the number of one and two person households, with the concurrent decline in households of 5 or more people. In 1965, one and two person households accounted for **43%** of all households, while in 1985, they accounted for **over 55%** of all households. Most of the growth has come in **one person households**. Persons who are living alone clearly have needs for their homes that are different from those of families.



MORE EMPLOYED FEMALES

Employment among women has increased significantly in the past twenty years, especially employment **among married women**. The women who stayed home to raise their families are becoming a thing of the past. The orientation away from the home to the outside world has changed the way that women see themselves and their responsibilities. Women with children at home, even those with children under 6 years of age, are more likely to be working than staying home. This has also changed what they want and expect from housewares products.



THE AGING POPULATION

In **1970**, nearly **half** of the total population was **under 25** years of age. By the year **2000**, only one-third of the population will be under 25 years old, while **more than one-third** will be **45 years or older**. These older consumers will have wants and needs different from those of younger consumers, and they will be in a better position to afford the products they desire. This also suggests a move away from the emphasis on youth in our society, and a shift to the concerns of an older population.

INCOME SHIFTS

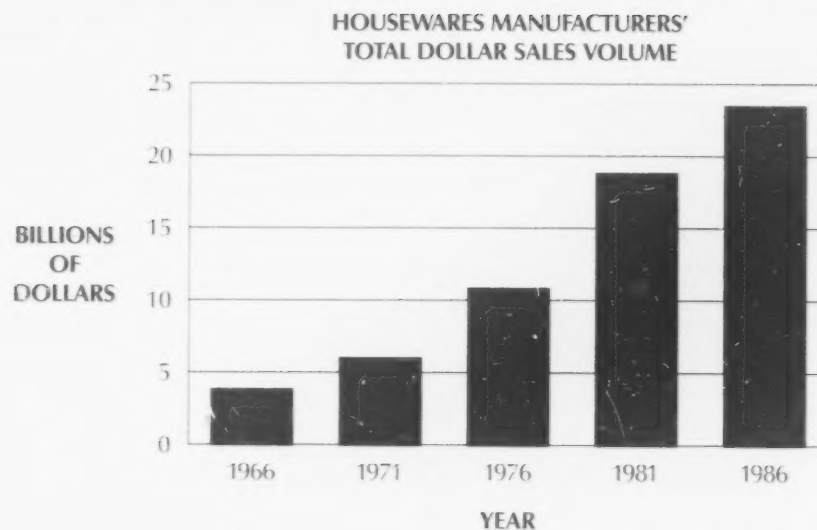
The rise of two-income households means that many families have more disposable income than they did in the past. At the same time, many one-person, one-income households have lower incomes than if they were family households. The result has been a shrinking "middle" class, with more low and high income households. In 1967, nearly half of all U.S. households had "middle" incomes, while today only 40% have "middle" incomes, in terms of constant dollars. This trend is expected to continue at least through the end of this century.

THE CONSUMER OF THE FUTURE

These demographic changes, along with many others, have helped to shape the housewares' consumer of the future. Indications are that **upscale consumers** will seek **greater quality** in the products they buy, and will be willing to pay for this quality. In turn, the **low income consumers** will increasingly be **interested in price**. For them, "value" will mean low prices, while for upscale consumers "value" will mean quality products at **reasonable prices**. This division of customers into high-price buyers and low-price buyers is occurring in many industries, as it is in the housewares industry. It is causing a shift away from the mass markets, which traditionally have been the stronghold of many housewares manufacturers.

The opportunity for the housewares industry is to produce new products that show an understanding of the changing needs of American consumers. This would include products that consider the *special needs* of such diverse groups as one person households, older consumers and working mothers.

INDUSTRY TRENDS: 1966-1986

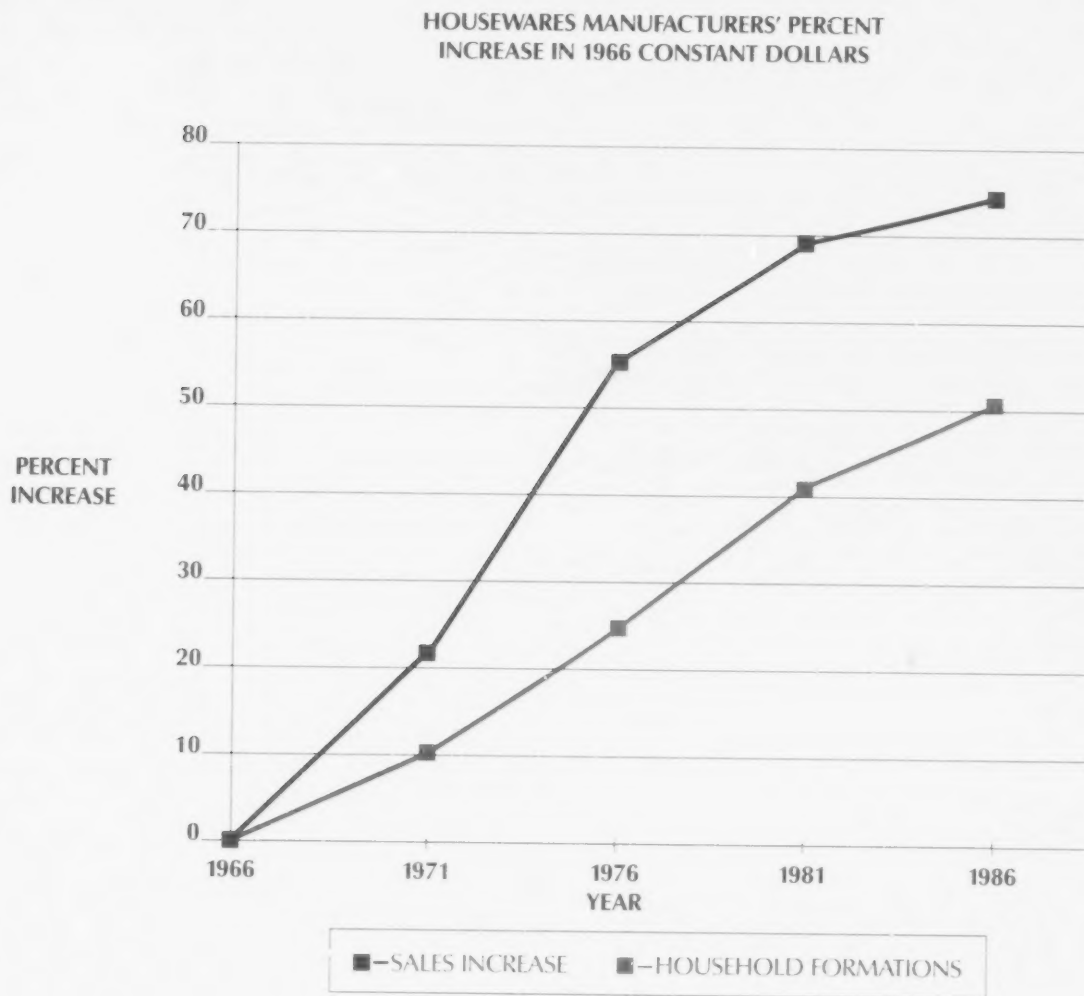


In 1986, total reported manufacturers' sales increased to **\$23.6** billion dollars, up nearly half a billion dollars from **\$23.2** billion in 1985. Sales still have not returned to the **\$24.6** billion level reported in 1984.

This table summarizes industry sales reported over the past twenty years, along with the percent change on a year-to-year basis.

	<u>DOLLAR VOLUME</u>	<u>% CHANGE OVER PREVIOUS YEAR</u>
1966	\$ 4,035,000,000	N/A
1967	\$ 4,535,000,000	+13%
1968	\$ 5,700,000,000	+26
1969	\$ 5,475,000,000	- 4
1970	\$ 5,400,000,000	- 1
1971	\$ 6,135,000,000	+14
1972	\$ 7,061,000,000	+15
1973	\$ 8,667,000,000	+23
1974	\$ 9,642,000,000	+11
1975	\$ 9,702,000,000	+ 1
1976	\$10,963,000,000	+13
1977	\$11,885,000,000	+ 8
1978	\$13,479,000,000	+13
1979	\$15,579,000,000	+16
1980	\$17,484,000,000	+11
1981	\$19,075,000,000	+ 9
1982	\$20,086,000,000	+ 5
1983	\$22,402,000,000	+12
1984	\$24,581,000,000	+10
1985	\$23,196,000,000	- 6
1986	\$23,646,000,000	+ 2

**PERCENT GROWTH IN HOUSEWARES MANUFACTURERS' SALES
FROM 1966-1986 (IN 1966 CONSTANT DOLLARS)**



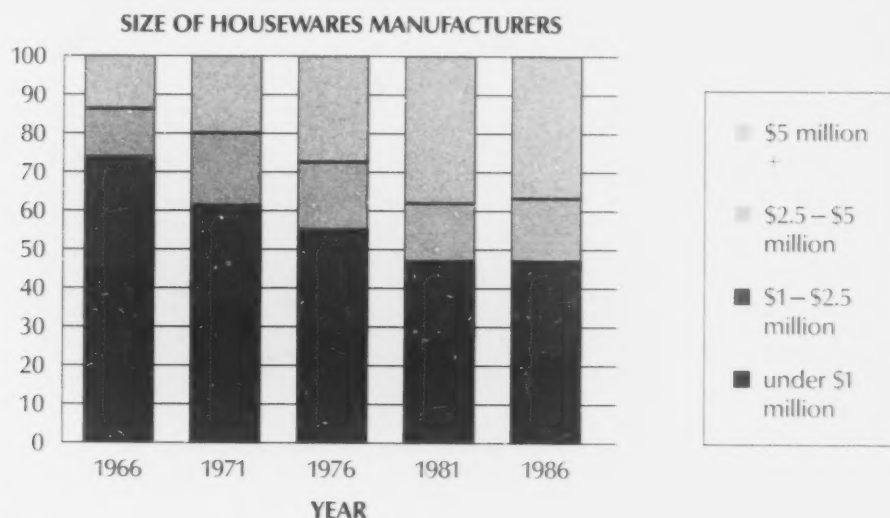
During the past twenty years, sales of housewares have increased from about **\$4 billion dollars** in 1966 to **\$23.6 billion dollars** in 1986. The chart above represents the percent increase in sales in constant 1966 dollars. The household formations in the United States, during that same period, have closely paralleled the sales of housewares manufacturers, although sales growth has consistently exceeded the growth of household formations.

Manufacturers have reported declines in annual sales only three times: in 1969, 1970, and 1985.

SIZE OF HOUSEWARES MANUFACTURERS – BY DOLLAR VOLUME

Over the past twenty years, the trend in terms of size of manufacturer has been that a shrinking proportion has been small (sales of **under \$1 million**) and a growing proportion has been large (sales of **\$5 million** or more). In 1986, the percentage of small manufacturers dropped to **22%**, exactly half the percentage of small manufacturers in 1966, when the survey began. The percentage of large manufacturers has increased from **14%** in 1966 to **37%** in 1986.

Small manufacturers are especially likely to be in these businesses: **kitchen tools & gadgets** (41%), **outdoor products & accessories** (40%), and **bath & closet accessories** (36%). More than half of the largest manufacturers make **electrical housewares** (57%) or **furniture** (51%).

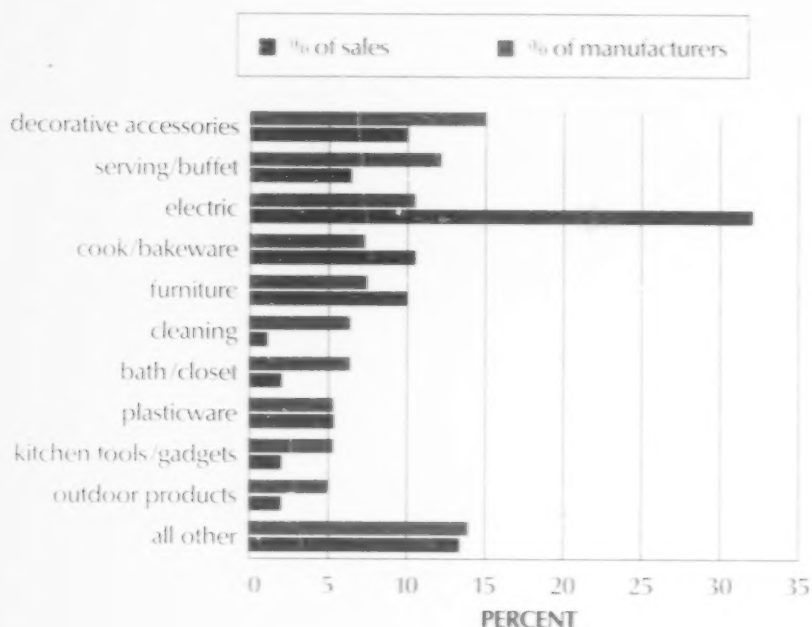


1987 ESTIMATED SALES VOLUME COMPARED WITH 1986 ACTUAL

SALES VOLUME	ACTUAL 1986	ESTIMATED 1987
Under \$1 million	22%	16%
\$1 – \$2.5 million	25	23
\$2.5 – \$5 million	16	19
\$5 million and over	37	42

Industry manufacturers **continue to be optimistic** about the future. The estimates for their sales in 1987 reflect an expectation of continued growth. The predictions are somewhat more conservative than in past years, perhaps as a result of the decline experienced in 1985.

DISTRIBUTION OF HOUSEWARES MANUFACTURERS AND SALES BY PRODUCT CATEGORY-1986

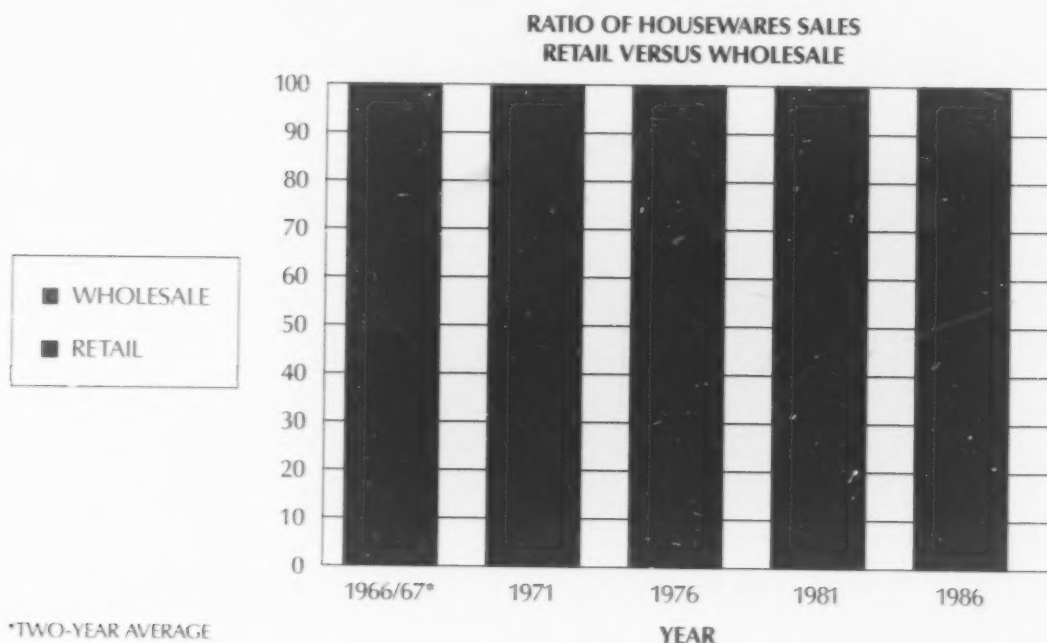


As seen over the past few years, **electric** housewares account for close to one-third of the industry's total dollar sales, in spite of the fact these are produced by only 11% of the manufacturers. **Decorative accessories** and **serving & buffet products** are the categories represented by the largest percentage of manufacturers. **Cook & bakeware** increased their share of sales relative to their share of manufacturers for the first time in 1986, while **bath & closet accessories**, **kitchen tools & gadgets**, and **cleaning products** continue to have low ratios of sales to manufacturers represented.

PRODUCT CATEGORY	PERCENT OF MANUFACTURERS	PERCENT OF SALES
Decorative Accessories	15%	10%
Serving & Buffet Products & Accessories*	13	7
Electric Housewares	11	32
<i>Appliances</i>	10	28
<i>Personal Care</i>	1	4
Cook & Bakeware	8	11
<i>Cookware</i>	7	6
<i>Bakeware</i>	1	3
Furniture	8	10
Cleaning Products & Accessories	7	2
Bath & Closet Accessories	7	3
<i>Bath Accessories</i>	4	2
<i>Closet Accessories</i>	3	1
Plasticware	6	6
Kitchen Tools & Gadgets	6	3
Outdoor Products & Accessories	5	3
All Other	14	13

*Includes Dinnerware, Cutlery and Flatware

RATIO OF HOUSEWARES MANUFACTURERS' SALES TO RETAIL VERSUS WHOLESALE OUTLETS— 1966-1986



The housewares business appears to have changed dramatically over the past twenty years in terms of how sales are made. In 1966, when the survey began, over half of all sales were made to wholesalers. Now, twenty years later, the indications are that 87% of all housewares' sales are made directly to retailers. Some product categories are more likely to rely on sales to wholesalers, while others are definitely more direct-to-retailer oriented. Accordingly, the distribution varies as follows:

PRODUCT CATEGORY	HOUSEWARES SALES TO ...	
	...Retailer Outlets	...Wholesaler Outlets
Decorative Accessories	90%	10%
Serving & Buffet Products & Accessories*	96	4
Electric Housewares	87	13
Cook & Bakeware	76	24
Furniture	91	9
Cleaning Products & Accessories	89	11
Plasticware	95	5
Kitchen Tools & Gadgets	81	19
Outdoor Products & Accessories	92	8
All Other	93	7

*Includes Dinnerware, Cutlery and Flatware

PERCENT OF TOTAL DOLLAR SALES TO RETAIL & WHOLESALE OUTLETS
(BASED ON RETAIL + WHOLESALE = 100%)

	<u>1986</u>	<u>1981</u>	<u>1976</u>	<u>1971</u>	<u>1966 67†</u>
RETAIL OUTLETS	87%	80%	66%	52%	48%
Mass Merchandisers	35	28	20	18	10
Department Stores	11	11	7	10	10
Catalog Showrooms	7	10	6	—	—
Food Stores	7	6	5	3	7
Housewares/Hardware Stores	5	4	5	3	4
Drug Stores	4	6	4	3	2
Variety Stores	4	5	6	7	9
Mail Order	4	2	4	4	3
Home Centers	3	2	2	*	*
Buying Syndicates	1	1	1	*	1
Warehouse Club	2	—	—	—	—
All Other	4	5	6	3	2
WHOLESALE OUTLETS	13%	20%	34%	48%	52%
Houseware/Hardware Distributors	5	7	9	14	17
Service Merchandisers/Rack Jobbers	2	2	3	3	3
Electric Housewares Distributors	1	4	6	8	9
Premium Users	1	1	2	4	5
Club & Party Plan	2	1	5	*	*
Variety Distributors	*	*	1	1	2
Drug Distributors	*	1	2	2	1
Premium Distributors	*	1	1	1	2
Stamp Plan Suppliers	*	1	1	5	7
All Other	1	2	4	10	5

† Two-Year Average

— Type not listed

* Less than 0.5%

More than one-third of total dollar sales (35%) were made to mass merchandisers in 1986. Mass merchandisers were especially important to manufacturers of **plasticware**, accounting for 62% of their dollar volume. Mass merchandisers were also important to **outdoor product** manufacturers (47% of dollars) and to **furniture** manufacturers (41% of dollars). Sales to department stores accounted for 11% of total dollars; these outlets were of particular importance to manufacturers of **serving & buffet products**, representing 28% of their dollar volume.

Catalog showrooms accounted for 7% of industry dollars in 1986, down from 12% in 1985. Warehouse clubs are a new category in 1986; their share of dollar sales was just 2% in 1986, but may be expected to grow as they expand into more markets.

HIGHLIGHTS OF 1986/87 HOUSEWARES COLOR PREFERENCES— BY PRODUCT CATEGORY

<u>DECORATIVE ACCESSORIES</u>	Most Popular 1986	Expected for 1987
White	26%	20%
Blue	17	20
Pastel	12	15
Mauve	11	14
Black	11	6
Yellow	9	6
Grey	7	10
Wood Tones	7	4
Red	6	7
Beige	6	6
Slate Blue	2	5

<u>KITCHEN APPLIANCES</u>	Most Popular 1986	Expected for 1987
White	68%	68%
Almond	25	19
Black	6	6
Beige	6	5
Grey	3	7

<u>KITCHEN ACCESSORIES</u>	Most Popular 1986	Expected for 1987
White	56%	53%
Blue	13	18
Almond	12	7
Red	10	9
Slate Blue	6	7
Black	5	7
Yellow	5	3
Pastel	3	7

<u>SERVING BUFFET PRODUCTS & ACCESSORIES</u>	Most Popular 1986	Expected for 1987
White	50%	43%
Blue	10	14
Red	9	6
Wood Tones	7	4
Metallic	6	5
Pastel	5	8
Black	5	5
Beige	5	3
Yellow	5	3
Mauve	3	8
Slate Blue	2	6
Grey	2	6

<u>BATH ACCESSORIES</u>	Most Popular 1986	Expected for 1987
White	42%	38%
Blue	25	19
Pastel	11	15
Mauve	5	10
Rose	5	7
Peach	5	5
Pink	5	4
Almond	5	2
Slate Blue	2	4

<u>CLOSET ACCESSORIES</u>	Most Popular 1986	Expected for 1987
White	64%	54%
Pastel	11	13
Blue	8	10
Pink	6	3
Peach	5	6
Grey	5	5
Slate Blue	2	9

<u>OUTDOOR PRODUCTS & ACCESSORIES</u>	Most Popular 1986	Expected for 1987
White	32%	28%
Red	22	17
Blue	14	17
Black	12	12
Pastel	8	10
Yellow	8	7
Green	7	7
Almond	4	4
Slate Blue	1	3

NOTE: Colors cited by 5% or fewer of manufacturers for both years are not included. Since some manufacturers mentioned more than one color, some of the tables total more than 100%.

In 1986, white remained the leading color in every category by a significant margin, although it is not expected to do as well in 1987, except in the kitchen categories. Almond appears to be continuing its decline. Pastels, mauve, peach and slate blue have all increased their mentions from 1985, and are expected to improve further in 1987.

HOUSEWARES' COLORS OVER THE YEARS

In the first NHMA survey, manufacturers were asked to predict the most popular housewares color, without regard to any single merchandise category. The two colors expected to be most popular were **avocado**, mentioned by **43%**, and **white**, mentioned by **22%** of those surveyed.

By the **1971** survey, manufacturers were asked to name the most popular color for 1971, and to predict the most popular color for 1972, in four separate categories: **bath & closet accessories**; **kitchen appliances & accessories**; **serving & buffet products**; and **outdoor products & accessories**. **Avocado** remained the leader in every category; however, the popularity of the color was much more pronounced in the kitchen (**65%** most popular in 1971) than in the other three areas. Even in the kitchen, the predictions for 1972 were that avocado would drop **45%**, as **gold/harvest gold** was gaining strength. **White** was also an important color in these earlier surveys. **White** was in second place for **bath & closet**; third place for **kitchen**, and fourth place for both **serving & buffet** and **outdoor** categories.

By **1976**, the color story was even more individualized by product category. In **kitchen** products, **gold/harvest gold** led with **37%** of the mentions, followed by **white** (**23%**), **yellow** (**17%**), and **brown** (**14%**). For the **bath & closet** category, **white** (**29%**) and **brown** (**23%**) were followed by **gold/harvest gold** (**14%**) and **yellow** (**14%**). The **outdoor product** category was led by **green** (**27%**) and **yellow** (**22%**), followed by **white** (**15%**). For **serving & buffet products**, the most popular colors were **brown** (**27%**), **gold/harvest gold** (**19%**) and **yellow** (**13%**).

In **1981**, a new color was leading in the kitchen. **Avocado** and **gold** had disappeared, and the new color, **almond**, received **42%** of the mentions for most popular **kitchen** color, followed by **white** (**27%**) and **brown** (**9%**). **Bath & closet accessories** still had **white** (**24%**) and **brown** (**21%**) as the leading colors, followed by **blue** (**15%**). In the meantime, **outdoor products** had changed leaders to **yellow** (**23%**), with **green** (**15%**), **white** (**14%**), **brown** (**14%**) and **black** (**10%**) all vying for second place. For **serving & buffet products**, **brown** remained the leader at **17%**, with **white** (**13%**) and **almond** (**13%**) tied for second place.

Today, **white is the leading color for every category**. What makes this especially interesting is that **white** is the only color that has been ranked consistently, in each survey and in each product category, during the past twenty years. Other color fads have come and gone, but **white** continues to appeal to consumers.

INFLUENCE OF CONSUMER COLOR PREFERENCES ON DESIGN/STYLE OF HOUSEWARES PRODUCTS

In the current survey, manufacturers were asked if they find that consumer color preferences are influencing the design and style of products. The results were split almost equally. The manufacturers of **bath & closet accessories, decorative accessories, outdoor products** and **furniture** were most likely to feel that consumer color preferences influence the design and style of products. On the other hand, manufacturers of **kitchen tools & gadgets, cleaning products** and **electric** housewares were less likely to feel that consumers' color preferences exert an influence.

TOTAL SAMPLE

YES	52%
NO	48

	<u>% YES</u>		<u>% NO</u>
BATH & CLOSET	66%	KITCHEN TOOL & GADGET	73%
DECORATIVE ACCESSORIES	65	CLEANING PRODUCTS	73
OUTDOOR PRODUCTS	62	ELECTRIC HOUSEWARES	58
FURNITURE	61		

HOW CONSUMER COLOR PREFERENCES HAVE INFLUENCED DESIGN/STYLE

	<u>PERCENT</u>
Trend/current fashion/demand	35%
Color major factor in design/style	13
Color coordination in home	11
Color compatible with product	8
More color offerings/larger choice	6
Increases sales	4
European influence	3
Eye-appeal	2
Packaging impact	2
Don't know/no answer	21

Among those who thought that consumers were having an influence, the primary reasons given were: trends/current fashion/demand; color being a major factor in design and style, and color coordination in the home.

1986/87 HOUSEWARES PRICE INCREASES

	PERCENT OF MANUFACTURERS			
	ACTUAL		ANTICIPATED	
	1986	1985	1987	1986
NO PRICE INCREASE	66%	77%	42%	50%
% AMOUNT OF PRICE INCREASE	34	23	58	50
1-4%	11	11	14	17
5	9	6	20	15
6-9	5	3	8	8
10	5	1	11	5
11-14	*	*	1	1
15	1	*	2	1
Over 15	1	*	1	1
Amount not specified	1	1	1	2
AVERAGE PRICE INCREASE	6.1%	4.7%	6.5%	5.7%

*Less than 0.5%

In this study, one-third (34%) of the manufacturers indicated they increased prices during 1986, lower than the 50% which had expected to increase their prices when the survey was done last year. The average price increase was **6.1%**, up slightly from 1985, when the average increase was **4.7%**. For 1987, 58% of the manufacturers expect their prices to increase. They are predicting those increases to **average 6.5%**, just slightly higher than the 1986 actual increases.

The fewest mentions of price increases in 1986 were reported by manufacturers of:

Bath & closet accessories	21%
Cleaning products	23
Furniture	23
Plasticware	24

Of the **reasons** given for expected price increases in 1987, only **the declining dollar increased in importance** from 1986, with nearly half of the respondents mentioning it.

EXPECT TO INCREASE PRICES	1987	1986
REASONS FOR PRICE INCREASES	58%	50%
Declining dollar	44	28
Higher material costs	32	43
Higher overhead costs	22	26
Higher labor costs	20	31
Higher freight costs	6	4
Inflation	2	6

NOTE: Totals exceed 100% because some manufacturers mentioned more than one reason.

INDUSTRY CHANGES IN THE COMING YEARS— MANUFACTURERS' EXPECTATIONS

Manufacturers were asked how they felt the industry will change in the coming few years. The **major changes** they anticipate involve the **consolidation of retailers, mergers of manufacturers**, and the **effects of new products and increased imports**. A listing of the most frequent responses is provided in the table below.

HOW THE HOUSEWARES INDUSTRY WILL CHANGE

	PERCENT
Fewer retailers/consolidation	26%
Fewer/larger manufacturers	21
New products/styles/designs/innovations	21
More imports	16
Competition among suppliers	7
Increased demand for quality	6
No growth/flat	6
Different purchasing methods	6
Effects of trade shows on industry	5

COMPANY CHANGES IN THE COMING YEARS— MANUFACTURERS' EXPECTATIONS

The respondents were also asked how their own businesses will change in the coming few years. The **major changes** expected in this area are **new product introductions, growth or expansion in their businesses**, and **changes in selling methods** brought about by mergers and acquisitions, creating larger clients.

HOW INDIVIDUAL BUSINESSES WILL CHANGE

	PERCENT
New product introductions/diversify	37%
Growth/new accounts/expansion	33
Changes in selling from mergers/larger clients	24
Stronger competition/imports	17
More emphasis on service/quality/packaging	5

Permission is granted to reproduce any information, charts and/or statistical tables from the National Housewares Manufacturers Association's Twentieth Annual Marketing Research Study of Housewares Manufacturers for 1986, with appropriate credit to the NHMA.

Price: \$20.00